

## **TERMS AND CONDITIONS**

### **OF LICENSE FOR CONSTRUCTION OF THE CASCADE OF SMALL HYDRO POWER PLANTS “MARTSIGET-1” AND “MARTSIGET-2” BY THE “ARGISHTY-1” LLC.**

#### **1. Definitions**

In this license, the main concepts provided in capital letters are defined as follows:

Energy Sector -- a system of economic entities, regardless of the form of ownership, engaged (for provision of public services) in electric and thermal power generation (electric and thermal power combined generation included), electric and thermal power and natural gas transmission (transportation) and distribution, provision of electric energy and natural gas sector system operator service, construction of new generation capacities or their rehabilitation in electric and thermal energy sectors, as well as construction of a transmission (transportation) or distribution networks in electric and thermal energy, and natural gas sectors; as well as import and export of electrical energy and natural gas; as well as the necessary complex of assets essential for the implementation of the above activities and structures providing public services to the energy market.

Commission -- the RoA Energy Regulatory Commission acting in the Energy Sector as a regulatory body within the framework of its authorities vested upon by the Energy Law of the Republic of Armenia.

Small hydro power plant (HPP) - a hydro power plant with installed capacity up-to 10000kW.

License – a document issued by the Commission to a legal entity, which confirms the right of the Licensee to perform certain operations in the Energy Sector, according to the established terms.

Licensee – a legal entity issued the license for construction of Small HPP in the Energy Sector.

Force Majeure - causes or events that are beyond the reasonable control of, and without the fault or negligence of, the Licensee, including, but not limited to: unusually severe actions of the elements such as floods, earthquakes, hurricanes or tornadoes; sabotage; terrorism; war; riots or public disorders; strikes or other labor disputes; to the extent such cause or event prevents or delays performance of any obligation imposed upon the Licensee claiming such force majeure event.

## **2. Effective Period of the License**

2.1 The effective period of this License is 2 years.

## **3. Conditions of the Licensed Activity**

3.1 On and after the effective date, the Licensee has a right to construct the Cascade of Small hydro power plants “Martsiget-1”, “Martsiget-2”.  
(name of hydro power plant)

3.2 The construction site and technical-economic characteristics are specified in this License and documents coordinated with the Commission.

3.3 The Commission assumes obligation, in the scope of its jurisdiction, not to authorize any other entity to perform activity in the Energy Sector, which might result in deterioration of technical-economic characteristics of Small HPP constructed according to this License.

3.4 The licensed activity should comply with the RoA Legislation, legal acts established by the Commission, other acts and conditions of this License.

3.5 The Licensee cannot become a shareholder of 25% and more shares of another Licensee or merge with any other Licensee without the permission of the Commission.

3.6 The Shareholder possessing 25 % and more of the Charter Capital of the Licensee has no right, without the permission of the Commission, to purchase 25 % and more of shares or stocks of the same or any other Licensee or have share participation, as well as sell 25 % and more of shares.

3.7 The Licensee must immediately inform the Commission of violation of the License conditions, as well as circumstances led to violation.

- 3.8 Within a 10-day period, the Licensee must inform the Commission of the violence protocolised during the control implemented by competent authorities.
- 3.9 The Licensee shall carry out the licensed activity in compliance with the work schedule and within a 25-day period after the end of each quarter following the issuance of the License, submits to the Commission a report on implementation of Small HPP rehabilitation work schedule.
- 3.10 The Licensee shall submit to the Commission reports about its licensed activity in procedures and forms established by the Commission.
- 3.11 Accounting for the licensed activity and statements of the Licensee shall comply with the accounting requirements established by the RoA Legislation.
- 3.12 Accounting and statements of the licensed activity shall be separated from the accounting and statements of other activities carried out by the Licensee.
- 3.13 The Licensee shall submit any information relating to the licensed activity, required by the Commission in compliance with its established terms and forms.
- 3.14 Upon the Commission requirement the Licensee shall conduct a financial independent audit of the licensed activity and submit the opinion to the Commission.
- 3.15 Before the expiration of the effective period of the License, the Licensee shall be obliged to conduct balancing and commissioning works at the power plant, according to the requirements of the design, equipment manufacturer and technical rules and procedures. The Licensee is obliged to inform the Commission at least 10 days prior to the beginning of those works. The issues relating to the metering of and payment for the electricity, generated during the balancing and commissioning works and delivered to the transmission network, shall be regulated by the corresponding contract, the model form or essential conditions of which are established by the Commission and which is subject to registration with the Commission.
- 3.16 The Licensee shall be responsible for the accuracy of the statements and other information submitted to the Commission, in compliance with the procedures established by the RoA Legislation.

#### **4. Supervision of the Licensed Activity**

- 4.1 The Commission shall supervise the Licensee's compliance with the provisions of the License in accordance with the procedures established by the Commission, cooperating with other authorized state bodies.

- 4.2 In order to ensure compliance with the License provisions, the Commission and its authorized representatives shall have the right of free access to the territory of the Licensee.
- 4.3 In the course of such inspections, the Licensee shall fully cooperate with and render assistance to the Commission or its authorized representatives.

## **5. Penalties**

- 5.1 In the event of non-compliance, inappropriate compliance or violation of the provisions of the License, the Commission is authorized to impose the following penalties, in accordance with Article 42 of the Energy Law:
- a) warning;
  - b) License suspension;
  - c) License revocation.

The process for enforcement of the above penalties is determined by the Commission.

- 5.2 The License may be terminated at the initiative of the Licensee, after a notice in writing.
- 5.3 The Licensee shall not be liable under procedure defined by item 5.1 of this License if license violations were caused by Force Majeure circumstances.

## **6. Amendments to the Terms and Conditions of the License**

- 6.1 In case of changes in the legal or organizational status of the Licensee, the latter shall within 7 days submit an application to the Commission on introducing amendments and supplements to the License or on issuance of a new License.
- 6.2 In case of changes of technical-economic characteristics during the construction of Small hydro power plant, within 7 days the Licensee must apply to the Commission for approval of corresponding amendments and supplements to the submitted documents.
- 6.3 In this License, as well as in programs, schedules and other documents submitted by the Licensee can be introduced amendments both on the initiative of the Commission or the Licensee, in the procedures established by the Commission.
- 6.4 Within 5 days the Licensee shall notify the Commission about any changes in its legal address, foundation documents and bank accounts.

## **7. Financial Guarantees**

- 7.1 The procedures of return of the financial guarantee submitted to the Commission by the Licensee shall be regulated by the "Procedures of presentation of financial guarantees,

necessary to get an operation license in the Power Sector” established by the Commission.

## **8. Other Provisions**

- 8.1 This License entitles to construct the Cascade of Small Hydro Power Plants “Martsiget-1” and “Martsiget-2” with the installed capacities accordingly: 1850kW and 4800 kW.
- 8.2 No later than during the 6-th month of the License effective period, the Licensee shall be obliged to submit to the Commission the design and the budget of Small HPPs Martsiget-1” and “Martsiget-2”, which passed technical and environmental tests.
- 8.3 In case of necessity to extend the License period, the Licensee is obligated to forward an application to the Commission 30days prior to the expiration of the License period, submitting necessary documents specified by the “Licensing procedures for activity in the Power Sector of the Republic of Armenia”.

## **9. Notification**

- 9.1 All official notifications, applications (petitions), claims or other correspondence associated with this License shall be in writing and be delivered via messenger or registered mail.